

Fifty Years of Entrepreneurship Development in Nigeria: Challenges and Prospects

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Abstract

Entrepreneurship has been globally taunted as a means of promoting economic growth and development. This is achieved through the generation of greater employment opportunities, the development of local technological base, import substitution and sources of foreign exchange earnings. It is in recognition of these immense contributions that successive Nigerian governments since independence have made several attempts at promoting entrepreneurship and small business development. The study focused on the entrepreneurship and small and medium enterprises (SMEs) initiatives of successive Nigerian government. With the aid of structured questionnaires and personal interviews, relevant information was elicited from respondents' academia entrepreneurs and investment experts. The study revealed that such initiatives failed abysmally due to over bearing bureaucracies, corruption, inadequate and inefficient infrastructural facilities and maladministration. The government was admonished to show greater commitment to entrepreneurship and SMEs programs. The appointment of proven men of integrity and expertise is a sine qua non for effective implementation of such initiatives devoid of undue political interference and corrupt tendencies.

Keywords: Entrepreneurship, Employment Generation, Economic Development, Corruption

Introduction

Nigeria celebrated her 50 years of independence and nationhood on October 1, 2010. As expected, the drums were rolled to mark this landmark achievement. However, there is the need for a sober reflection to determine whether the celebrations were worth while in the light of the hopes and aspirations of the founding fathers of Nigeria. To be meaningful, political independence must be matched with economic development. Thus it is the primary responsibility of governments to preoccupy themselves with the quest for economic development to ensure the overall improvement in individual wellbeing of her citizens (Onwumere, 2000).

Granted that Nigeria had made giant strides in certain aspects of national endeavors but can a nation with about half of its productive population out of formal and informal employment with the attendant poverty said to have developed economically? There is no gain saying that Nigeria have achieved little economically given the fact that nature has endowed her with abundant resources. The world over, entrepreneurship and Small and Medium Enterprises (SMEs) have provided effective means of greater employment and improving the standard of living for people. (Zimmerer & Scarborough 2006, Kuratko & Hodgetts 2001, World Bank 1995)

It is in recognition of the immense contributions of entrepreneurship and Small and Medium Enterprises (SMEs) to national development that successive Nigeria governments have made efforts at promoting and strengthening this sector of the economy. The strategies for promoting this sector centered on institutional support for the former and policy initiatives and financial support for the latter. However, it is regrettable that despite the huge human and financial resources invested in these initiatives, they have abysmally failed to produce the desired results. There is an urgent need to investigate the problems and challenges of the past initiatives as the basis for improving existing and new ones. The study is a critical examination of the past initiatives of successive Nigeria governments.

The objectives include;

- 1) To identify the nature of these initiatives
- 2) To identify the factors that have inhibited the success of these initiatives
- 3) To proffer suggestions on how future initiatives could be successively implemented to obtain value for the resources to be invested.

Conceptual Issues

The word entrepreneurship is derived from the French word "entreprendre" meaning to "undertake". To this end, entrepreneurship is commonly defined as the process of creating a business. But as noted by Zimmerer and Scarborough (2006), although the creation of business is certainly an important facet of entrepreneurship, it is not the complete picture. The characteristics of seeking opportunities, taking risks beyond security and having the tenacity to push an idea through to reality combine into special perspectives that permeate entrepreneurs. For Hisrich and Peters (2002), entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence. Entrepreneurship is the practice of starting new businesses or revitalizing matured organizations, particularly new businesses generally in response to identified opportunities (Potekar, 2009).

There is hardly any unique and universally acceptable definition of Small and Medium Enterprises. This is because the classification of business into small or large-scale is a subjective and qualitative judgment (Epenyong & Iyang, 1982). In accordance with the above, the definition of SMEs varies with time industry nations/states individuals or bodies. In the USA (United States of America) a small business is defined as an enterprise having less than \$18 million in net assets and/or less than \$6 million in net income (SMA). The EU (1996) defined an SME as a business with not more than 250 employees and turnover of not more than forty million two, a balance sheet total of not more than 27 million Euro and not more than 25% independence criterion.

In Nigeria, several attempts have been made to define SMEs. Some of the definitions are given below:

- The Companies and Allied Matters Decree of 1990 defines a small company as one with an annual turnover of not more than ₦2 million and net assets value of not more than ₦1 million. The (CBN) Central Bank of Nigeria defines SMEs as an enterprise whose total asset excluding land but including working capital is above ₦1 million but not exceeding ₦10 million. The National Council on Industry (2001) gave the following definitions of industrial enterprise.
- Micro/Cottage Industry: An enterprise with total capital employed of not more than ₦1.5 million; including working capital but excluding cost of land and a labour size of not more than 10 workers.
- Small Scale Industry: An enterprise with total capital employed of over ₦1.5 million but not more than ₦50 million including working capital but excluding cost of land and/or a labour size of 10-300 workers.

The Role of Entrepreneurship in National Development

Entrepreneurs have led and will continue to lead to the economic revolution that has proved repeatedly to improve the standard of living for people everywhere (Zimmerer and Scarborough, 2006).

1. **Economic Development:** The profits made by entrepreneurs, payments for the various factors of production by the entrepreneur flow as an increase into the National Income. Increase Gross Domestic Products, National Income etc. help in improving the standard of living of the citizens of the country. The contributions of the SMEs in industrial sector to the Nigeria's Gross Domestic Product (GDP) are valued at about 37% there by making it the second largest contributor to the Nation's GDP after the oil sector (SMEDAN, 2009).
2. **Employment Opportunities:** Entrepreneurship results in the creation of small businesses. The labour intensive nature of small businesses enables them create more jobs than the big businesses. In Columbia, India, Indonesia, Kenya, Tanzania and Zambia, SMEs employ more than 50% of the workforce. Similarly they accounted for 99.9% of the 11.6 million enterprises created in the European Union. (Deloitte Touche Tohmatsu, 1995). Small Businesses created 75% of the new jobs in the USA and accounted for over 40% of GDP. Equally about 80% of Americans find their first jobs in Small businesses (US World Report, 2000).
3. **Improvement in the Standard of Living through Innovation.** The introduction of high quality goods and services has transformed our lives.
4. **Reduction in Rural-Urban Drifts:** One of the primary objectives of promoting entrepreneurship in developing countries is to mitigate Rural-urban drift syndrome. The

- migration of rural dwellers to cities in search of 'white-collar' jobs has resulted in congestion, high incidence of crimes, etc.
5. Development of Local Technological Base: The development of indigenous technological base in all countries of the world has been championed by native entrepreneurs; this will help in transferring the much needed technology needed for the rapid transformation of the country.
 6. Conservation of Foreign Exchanges: This will result from reduced importation of machineries and equipment, raw materials and payment to foreign experts. (Oghojafor, Kuye, Sulaimon & Okonji, 2009).

Government`s past entrepreneurial and SMEs support initiatives

The history of entrepreneurship and SMEs Small and Medium Enterprises development initiatives in Nigeria can be traced to 1964 when the Federal Government set up several institutions and agencies to aid the development of entrepreneurship and SMEs, which are listed below:

- The Nigerian Industrial Development Bank (NIDB).
- Industrial Development Centres
- Second Tier Securities Market
- World Bank SME I AND II Loan Schemes
- NERFUND (NATIONAL ECONOMY RECONSTRUCTION FUND)
- People's and Community Banks
- Fiscal and Monetary Policies such as:
 - i. Pioneer status or income tax relief act
 - ii. Import Duty Relief
 - iii. Capital allowance to aid capital formation
 - iv. Tax relief for investment in economically disadvantage local government areas.
 - v. Imposition of tariffs on foreign goods to ensure effective patronage of locally made goods.
 - vi. Export promotion incentives
 - vii. Foreign exchange facility
 - viii. Mandatory credit allocation of between 10% and 20%)
- National Poverty Eradication
- Advisory Agencies
- Bank of Industry
- Micro Finance Banks
- SMIEIS (Small and Medium Industries Equity Investment Scheme)
- The Nigerian Agricultural and Rural Development Bank Credit Scheme and the Seed Capital for Small Business (The sums of N200b and N75b have been set aside respectively under these schemes)

Constraints to Entrepreneurship Development in Nigeria

Adewumi (2009) opined that apart from the unhelpful government policies, there are unfortunately a number of other constraints that inhibit the growth of entrepreneurship in Nigeria. These include

- Lack of and/or poor access to credit facilities,
- Unstable and largely uncondusive macro-economic environment heavily beclouded by uncertainties in the political and policies environments.

- Poor infrastructure and lack of basic utilities - water, electricity, telecommunication etc.
- High cost of basic equipment due to low international value of the naira.
- Near complete absence of advisory services
- Lack of support for the development of technical and managerial capabilities
- Lack of information on markets
- Lack of focused government policies to promote and drive the patronage of local products by the government, its agencies, business organisations and citizens
- Widespread fraud that leaves little trust between persons and make simple small exchange of goods and services difficult and/or cumbersome.
- Widespread and all present corruption that makes the procurement of licenses, permits, goods and services from government agencies and even the payment of taxes and levies difficult without playing the game i.e. paying bribes and kickbacks.

Electric power supply has been erratic and almost non-existence in some parts of the country. From manufacturers to road-side artisans, the experience is the same as this is affecting outputs. The need to carry on with life despite the failure of the power holding company of Nigeria (PHCN) to live up to its expectations has forced most people to seek alternative sources to generate electricity for businesses and houses” (Dele, 2009).

Statistics show that Nigerians spend about 16.408 trillion annually on fuelling generators in the country. The breakdown shows that in the telecommunication sector ₦6.7 trillion is spent per annum to purchase diesel while filling stations spend ₦43.88 b, factories ₦191.085, banks ₦11.7, trillion and commercial enterprises ₦1.57 trillion. Even the federal government made a provision of ₦2b for purchase, fuelling and maintenance of generators for government offices in the 2009 budget (Dele, 2009).

In the same vein Man reported that electricity supply to industries had remained abysmally poor. “Industries in the Ikeja branch areas had an average supply of 6.3 hrs per day and 17.30hrs outage in that first quarter of 2009. Private power generation accounted for 30 percent of cost of production and the inadequacy of supply is mainly responsible for the 35.24 percentage average capacity utilisation recorded in the same period.

The major impact areas for manufacturers in terms of the performance of relevant government agencies and local governments include “numerous, multiple and duplication of taxes and the unconventional drive for revenue generation”. For example, manufacturing companies individually have paid an average of “47 different taxes, levies, fees permits and licenses to the coffers of the state governments through its agencies, ministries, its development and local government areas (Imhonlele, 2009). Alozie-Erondu (2009) reported that multiplicity of duties and levies are paid at Nigerian ports. For instance, the Nigerian customs services (CNS) alone collect “12 different levies and taxes, including import duty for the federal government and other agencies. In addition, there are 15 different agencies working at the ports. In Enugu, a female school leaver running a mobile telephone business in the form of an umbrella-table arrangement with a ₦100 daily profit was made to cough out ₦7,000 as taxes and levies to various organs of government ranging from local council to state government agencies (Anukwuoji, 2009).

Equally, the poor state of road network in the country had led to loss of huge man hours with many businesses unable to meet up with contract and business schedules, loss of cargo and human lives through road accidents (Imhonlele, 2009). From the investigations of Omeiza-Michal (2009), “attaining a high and sustainable rate of economic growth is being scuttled by the banks freezing of

credit to the manufacturing and oil and gas sectors”. The escalating cost of inputs, production cost, distribution cost and other cost elements continue to erode investors’ margin”. Beside the purchasing power of the generality of people has dropped drastically. As a result of inflation, fewer goods can be purchased with the same amount of money. There are job losses and most families with two steady incomes now have one income.

Nigeria is characterised by large growing and active population, with sanitation life styles resulting in high demand for expensive foreign goods and services. Most citizens have negative attitude towards made in Nigeria goods/services, are highly religious to a point of intolerance in some states. This has resulted in riots and the unwanton destruction of lives and properties. There is the issue of ethnicity, embezzlement, bribery and corruption that has seen the demise of many businesses in Nigeria. In fact the “Get rich guide syndrome” has forced the average Nigerian to do any and everything to make money. The trial and conviction of bank chief executives for embezzling billions of depositors money is a case in point.

The Nigerian business environment is characterised by weak institutional and legal support systems, and policy inconsistencies resulting in several reversal. According to Momoh (2009), inconsistencies in government policies, lack of protection of home industry due to globalisation and liberalisation policies have lead to sharp rise in cost of production. These policy recesses have sent the government abandoning privatisation and the removal of certain items from the import prohibition lists. Equally, the lukewarm attitude of government toward the fight against corruption, lack of established and enforceable property and contracted rights, bureaucratic public sector, lack of capacity in key ministries and the resultant slow and poor policy implementation have negative consequence for business operation in Nigeria. It is reported that over 355 companies in Imo and Abia states were lost in the last few years due to poor policy implementation as reported by MAN Abia branch.

There is also the issue of threat to security of life and prosperities occasioned by random motivated kidnapping and hostage taking. According to Arizona (2009), Nigeria has become a den of kidnapping and resulting in incessant hostage taking, kidnapping and unjust harassment. This is line with findings of Amuchie (2009) and the age long degradation of the environment especially in the Niger Delta region is going on cumulated and the governments seem helpless about it.

Methodology

The researchers sent out 300 questionnaires, out of which 258 were returned. However, 8 were incomplete and it was not used for analysis. Thus, the sample of study consists of 250 Nigerians. These were made up of academics, practising entrepreneurs and investment experts.

Measures and Analysis

Structured questionnaires which consisted of 10 statements describing the likely factors hindering the success of past government’s entrepreneurship and SMEs development initiatives. The respondents were asked to indicate the extent of their agreement with the statements measured along a likert five point scale of Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree respectively. Thereafter, the respondents were asked to list the four most inhibiting factors and rank orders them.

H_0 : There is no significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives.

H_A : There is a significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives

**NPar Tests
Chi-Square Test
Frequencies**

Causes of Poor Implementation of past entrepreneurship/SMEs support programmes

	Observed N	Expected N	Residual
Rank 1	313	250.0	
Rank 2	316	250.0	66.0
Rank 3	235	250.0	-15.0
Rank 4	136	250.0	-114.0
Total	1000		

Test Statistics

	SMEs
Chi-Square(a)	86.184
Df	3
Asymp. Sig.	.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 250.0.

From the result shown in table one, where $X_{Calc} = 86.184$, $X_{tab} = 9.49$, degree of freedom $df = 3$. It clearly shows that the calculated value of chi-square is greater than the tabulated value, hence the rejection of null hypothesis and acceptance of the alternate hypothesis (H_1), which states that there is no significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives.

Findings and Recommendations

Like all plans and initiatives in Nigeria, there is no dearth of objectives, strategies and methods. Poor implementation has always been the stumbling block. It is either the government plays politics by not backing those plans or initiatives with the adequate and timely release of funds and other resources. Thus these initiatives will be crippled and exist only in theory and not in practice. On the other hand, the agencies saddled with the implementation of these initiatives are staffed with unqualified and incompetent, officials who have no relevant cognate experience and integrity.

These officials are mostly appointed on the basis of political affiliations and willingness to manage these agencies for the benefits of their sponsors (usually government officials) to the detriment of the nation. Loans are granted to fellow politicians, relations and friends who have no business

establishments and nothing to do with the initiatives. Such grants are seen as the individuals' share of the national cake. In some cases, poor implementation is as a result of lack of relevant experience and bandwagon effect of corruption on the Nigeria national life.

Poor infrastructural base have also played a major role in frustrating the efforts and activities of entrepreneurs in Nigeria. As stated earlier, the dire shortage and inadequacy of infrastructural facilities have done much harm to entrepreneurial efforts. It is no longer news that the supply of electric is epileptic if non existent in Nigeria. Besides, the roads are death-traps leading to loss of lives and properties. Multiple taxation, high tariffs, inflation, inconsistent government policies and poor managerial orientation have all combined to thwart entrepreneurial initiatives in Nigeria.

To make success of present and future support initiatives, it is an urgent need for government to show more commitment to them. Agencies responsible for managing these initiatives must be people with competent Nigerians with track record of performance and integrity. These officials should be given a free hand to manage those agencies without undue interferences. Since an efficient and effective SMEs sector is a sine quo non for economic development, the government should stop at nothing in ensuring the development of this sub-sector or of the economy.

In addition to financial support, there is the real for government to provide an enabling environment for SMEs to believe. To this, these issues of security of lines and properties, poor road networks, epileptic power supply, policy inconstancies and multiple taxation should be urgently addressed. On the other hand, the entrepreneurs should take advantage of institutional support to improve their managerial abilities. These managerial insights should enable them realise that the provision of certain information about their businesses and possible partnership with others will further enhance the achievement of their objectives, contrary to their beliefs.

Is There any Ray of Hope?

Nigeria is a case in contractions it is a country with the unfortunate history of insincere leadership. Successive Nigerian governments have been peopled with individuals who speak with "both sides of their mouths", who never match their words with actions and believed that the act of governance is primarily that of treasury looting. Given the above scenario, one is tempted to loose hope. However, the election of president of Obama is believed to have brought change to the African continent. In the same vein, the present president of Nigeria is seen as child of change. If this turns out to be right, then the planned investment of $\square 3.5$ billion in the national grid which when completed within four years will boost Nigeria's generation capacity to over 14,000 megawatt (mw) by the end of 2013, will not end up as a 'white elephant' project that will produce more Nigeria millions instead of the intended increase in capacity generation.

The roads will in no distant future wear new look and the dream of the rails and waterways supplementing need transportation in Nigeria will become a reality. The $\square 75$ bn seed capital for small business will not find its ways into private accounts of politicians and (BOI) Bank of industry officials instead; it will be disbursed to real entrepreneurs who will utilise same in improving their businesses. Equally the government will honour her promise of renewing and harmonizing local taxes to reduce the number and avoid duplication. However, if this present government decide to toy the parts of her predecessors then the prospect will remain dim.

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